THE ROYAL BANK OF CANADA

NOTICE OF
THE ANNUAL GENERAL MEETING
OF SHAREHOLDERS
AND
INFORMATION CIRCULAR

THE ROYAL BANK OF CANADA

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THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Shareholders of The Royal Bank of Canada will be held at the Head Office of the Bank in Montreal, Quebec, Canada on Thursday, the 10th day of January, 1980 at 11 o'clock in the forenoon for the following purposes:

(1) to receive the report of the Directors and the financial statements of the Bank for the year ended October 31, 1979, and the Auditors' report thereon.

(2) to elect Directors,

(3) to appoint Auditors and to fix their remuneration,

(4) to appoint Executive Officers to vote at meetings of controlled corporations,

(5) to transact such other business as may properly be brought before the meeting.

BY ORDER OF THE BOARD
R.A. UTTING
Executive Vice President and
Chief General Manager

Montreal, November 27, 1979

IMPORTANT
Shareholders who are unable to be present at the meeting are requested to sign and return the enclosed instrument of proxy in the envelope provided for that purpose. In accordance with the Bank's By-Laws, Proxies must be received by the Transfer Agent at least 24 hours prior to the meeting.

INFORMATION CIRCULAR
(The information given herein is as of Oct. 31, 1979).

Solicitation of Proxies

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF THE ROYAL BANK OF CANADA (THE "BANK") OF PROXIES FOR USE AT THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE BANK TO BE HELD ON THE 10TH DAY OF JANUARY, 1980 AT THE PLACE AND FOR THE PURPOSES SET FORTH IN THE NOTICE OF MEETING ACCOMPANYING THIS INFORMATION CIRCULAR. The cost of solicitation will be borne by the Bank. The solicitation will be primarily by mail. However, the Directors, officers and regular employees of the Bank may also solicit proxies by telephone, telegram or in person.

Voting Shares and Principal Holders Thereof

On October 31, 1979, the Bank had outstanding 36,590,400 Common Shares. Subject to the provisions of the Bank Act, Shareholders who have held their shares for at least 30 days prior to the date of the meeting are entitled to one vote for each such share held. The Bank Act contains other provisions affecting the exercising of voting rights. Please refer to the summary on the enclosed Proxy form.

To the knowledge of the Directors and officers of the Bank, no Shareholder was the beneficial owner of record on October 31, 1979 of more than 10% of the outstanding common shares of the Bank.

Appointments and Revocation of Proxies

The persons named in the enclosed form of Proxy are Directors and/or senior officers of the Bank. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO, subject to the conditions outlined in Note 3 on the attachment to the Proxy, either by inserting such person's name in the blank space provided in the form of Proxy and deleting the names printed thereon or by completing another proper form of Proxy and, in either case, delivering the completed Proxy to the Transfer Agent of the Bank at least 24 hours prior to the meeting.

A Shareholder who signs and returns the enclosed form of Proxy may revoke it at any time before it is acted upon.

Exercise of Discretion by Proxy

The shares represented by any Proxy in the form enclosed herewith and appointing the persons designated thereon or any of them to represent the shareholder at the meeting will be voted in accordance with the specifications given by the Shareholder. IN THE ABSENCE OF SUCH SPECIFICATIONS, SUCH SHARES WILL BE VOTED FOR THE MANAGEMENT'S PROPOSALS GENERALLY.

The enclosed form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting. As at the date hereof, Management is not aware that any other matter is to be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the enclosed form of Proxy will vote thereon in accordance with their judgment pursuant to the discretionary authority conferred by the Proxy with respect to such matters.

Election of Directors

The Board consists of a minimum of 30 and maximum of 50 Directors, who are required to be elected annually. The persons named on the enclosed form of Proxy intend to vote for the election of the nominees whose names are set forth below and who are now Directors. Each Director will be elected to hold office until the next annual general meeting of Shareholders or until such office is earlier vacated.

The Board of Directors does not have an executive committee.

Directors who are members of the Audit Committee are so designated.

The undernoted table sets forth the names of the persons proposed to be nominated for election as Directors together with their principal occupation, the year in which they became Directors of the Bank and the number of shares beneficially owned, directly or indirectly, or over which control or direction is exercised as of the date hereof. All of the undernoted have held their present or other executive positions with the same or associated firms or organizations during the past five years, except as indicated.

Name & Principal Occupation	**Address**	**Director Since**	**Shares of the Bank Beneficially Owned**
The Rt. Hon. Lord Adeane Company Director	London, England	1972	1,250
D.S. Anderson Chairman Canada Realties Limited	Toronto, Ontario	1964	2,500
John A. Armstrong Chairman & Chief Executive Imperial Oil Limited	Toronto, Ontario	1974	2,510
Ian A. Barclay Chairman British Columbia Forest Products Limited	Vancouver, B.C.	1973	2,900
T.J. Bell, M.C. Chairman of the Board Abitibi-Price Inc. (Member of Audit Committee)	Toronto, Ontario	1967	2,750
G.H. Blumenauer Chairman & President Otis Elevator Company Limited	Hamilton, Ontario	1969	2,750
G. Allan Burton, D.S.O., E.D., LL.D. Chairman and Chief Executive Officer Simpson's Limited (Member of Audit Committee)	Toronto, Ontario	1964	7,705
R.B. Cameron, O.C., D.S.O. Chairman Maritime Steel and Foundries Limited	Halifax, N.S.	1973	206,700
John H. Coleman President J.H.C. Associates Limited	Toronto, Ontario	1966	1,375

Frank B. Common, Jr., Q.C. Partner Ogilvy, Renault	Montreal, Quebec	1974	2,750
F.M. Covert, O.B.E., D.F.C., Q.C. Partner Stewart, MacKeen & Covert (Member of Audit Committee)	Halifax, N.S.	1956	8,600
Camille A. Dagenais Chairman & Chief Executive Officer The SNC Group	Montreal, Quebec	1978	2,500
Mrs. Mitzi Dobrin Group Vice President & General Manager Steinberg Inc.	Montreal, Quebec	1976	2,500
G. Campbell Eaton, O.C., M.C., LL.D., C.D. Managing Director Newfoundland Tractor & Equipment Co., Ltd.	St. John's, Nfld.	1976	2,500
Jock K. Finlayson Vice Chairman of the Board The Royal Bank of Canada	Montreal, Quebec	1970	1,280
Rowland C. Frazee President & Chief Executive Officer The Royal Bank of Canada	Montreal, Quebec	1973	1,275
W.D.H. Gardiner Vice Chairman of the Board The Royal Bank of Canada	Toronto, Ontario	1973	2,750
Floyd D. Hall Chairman of the Executive Committee International Air Transport Association (Formerly, Chairman & C.E.O., Eastern Airlines)	New York, U.S.A.	1972	1,250
Sir Charles Hardie, C.B.E. Partner Dixon, Wilson & Company	London, England	1970	1,250
David S. Holbrook Consultant (Formerly, Chairman — Algoma Steel Corp. Ltd.)	Toronto, Ontario	1962	2,500

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned
Walter F. Light President & Chief Executive Officer Northern Telecom Limited	Montreal, Quebec	1978	2,500
Tong Louie President & Chief Executive Officer H.Y. Louie Co. Limited	Vancouver, B.C.	1979	2,500
P.L.P. Macdonnell, Q.C. Partner Milner & Steer	Edmonton, Alberta	1968	2,910
J.D. Maclennan President & Chief Executive Officer Interprovincial Steel and Pipe Corporation Ltd.	Regina, Sask.	1979	2,500
Clifford S. Malone President & Chief Executive Officer Canron Inc.	Toronto, Ontario	1975	2,500
F.C. Mannix Company Director	Calgary Alta.	1965	30,860
J. Pierre Maurer Executive Vice President Metropolitan Life Insurance Company	New York, U.S.A.	1975	2,500
Mrs. Dawn R. McKeag President Walford Investments Ltd.	Winnipeg, Manitoba	1978	2,500
W. Earle McLaughlin Chairman of the Board The Royal Bank of Canada	Montreal, Quebec	1960	2,750
J.P. Monge Chairman Amcan Group, Inc.	California, U.S.A.	1971	2,500
Pierre A. Nadeau Chairman of the Board, President & Chief Executive Officer Petrofina Canada Inc.	Montreal, Quebec	1973	2,750

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned
Paul Paré Chairman & Chief Executive Officer Imasco Limited	Montreal, Quebec	1970	2,500
Neil F. Phillips, Q.C. Partner Phillips & Vineberg (Member of Audit Committee)	Montreal, Quebec	1972	5,000
Herbert C. Pinder President Saskatoon Trading Company Limited	Saskatoon, Sask.	1970	2,750
Claude Pratte, Q.C. Advocate, Partner Létourneau & Stein	Quebec, Quebec	1967	2,750
L. Merrill Rasmussen President & Chief Executive Officer Husky Oil Company (Formerly, President & Chief Executive Officer, Pacific Petroleums Ltd.)	Wyoming, U.S.A.	1978	2,600
Charles I. Rathgeb Chairman & Chief Executive Officer Comstock International Ltd.	Toronto, Ontario	1970	11,000
A.M. Runciman President United Grain Growers Limited	Winnipeg, Manitoba	1976	2,500
P.R. Sandwell Chairman Sandwell and Company Limited	Vancouver, B.C.	1971	6,000
Ian D. Sinclair Chairman & Chief Executive Officer Canadian Pacific Limited	Montreal, Quebec	1967	3,000
P.N. Thomson Chairman T.I.W. Industries Ltd.	Ottawa, Ontario	1964	2,500

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned
John A. Tory, Q.C. President The Thomson Corporation Limited	Toronto, Ontario	1971	2,750
W.O. Twaits, C.C. Company Director	Toronto, Ontario	1961	2,750
C.N. Woodward Chairman of the Board Woodward Stores Limited	Vancouver, B.C.	1961	3,000
H.E. Wyatt Vice Chairman of the Board The Royal Bank of Canada	Calgary, Alberta	1978	1,278

Directors' and Officers' Remuneration

During the fiscal year ended October 31, 1979, the aggregate remuneration paid by the Bank to its Directors and senior officers was as shown in the table below:

Nature of Remuneration

	Aggregate Remuneration	Pension Benefits	Retirement Benefits
1. DIRECTORS (50)			
(A) From Parent and Wholly-owned Subsidiaries:	$ 513,621	nil	nil
(B) From Partially-owned Subsidiaries (Globe Realty Ltd.)	$ 4,400	nil	nil
2. 5 SENIOR OFFICERS	$1,348,289	$22,505	nil

	Aggregate Remuneration	Pension Benefits	Retirement Benefits
3. OFFICERS RECEIVING OVER $50,000: (107) (Includes those in 2 above)			
(A) From Parent and Wholly-owned Subsidiaries:	$8,622,742	$481,607	nil
(B) From Partially-owned Subsidiaries	nil	nil	nil
TOTALS (of items 1 and 3 above)	$9,140,763	$481,607	

Indebtedness of Directors and Senior Officers

The Bank makes loans to senior officers to assist them to acquire housing, for personal purposes and for private investment including the acquisition of Directors' qualifying shares of the Bank. Such indebtedness, other than routine indebtedness of senior officers, during the year ended October 31, 1979 was as follows:

Name & Address	Max. Indebtedness Year Ended October 31, 1979		Balance O/S Oct. 31/79	Interest Rate
	(Incl. Associate indebtedness where applicable)			
Frazee, R.C. Montreal, P.Q.	$ 181,067		$ 29,800	Prime
			111,272	3%
		(Associate—Mrs. Frazee)	39,000	3%
			180,072	
Finlayson, J.K. Montreal, P.Q.	107,571		44,082	3%
			3,850	8%
			51,325	Prime
			99,257	
Gardiner, W.D.H. Toronto, Ontario	299,514		190,346	Prime
			65,110	3%
			255,456	

MacDonald, W.A.R.	97,637	12,791	3%
Toronto, Ontario		9,925	—*
	(Associate—Mrs. MacDonald—Residence)	74,160	—*
		96,876	
McClenaghan, H.E.	139,000	24,000	—*
Toronto, Ontario	(Associate—Mrs. McClenaghan—Residence)	115,000	3%
		139,000	
Michell, A.H.	127,736	7,376	3%
Montreal, Que.		15,000	—*
	(Associate—Mrs. Michell—Residence)	82,360	—*
		104,736	
Paradis, F.P.	99,000	24,000	3%
Montreal, Que.	(Associate—Mrs. Paradis—Residence)	75,000	3%
		99,000	
Sinclair, J.C.	101,470	9,590	3%
Halifax, N.S.		10,000	—*
	(Associate—Mrs. Sinclair—Residence)	76,145	3%
		95,735	
Snook, W.S.	117,760		
New York, U.S.A.	(Associate—Mrs. Snook—Residence)	80,000	—*
Walker, J.M.	55,532	3,744	3%
Toronto, Ont.	(Incl. Associate—Mrs. Walker—Residence)		
Wyatt, H.E.	60,616	35,616	3%
Calgary, Alta.			

*The Bank offers Housing Assistance loans to support residence purchases by employees. Under the plan applicable to Bank-initiated transfers, the loans are interest-free for the first three years, regular payments in this period being applied solely to principal, and interest becoming applicable in ensuing years.

The following Directors who were formerly senior officers of the Bank were indebted to the Bank during the year ended October 31, 1979 by virtue of loans granted during their tenure with the Bank to acquire qualifying shares.

Name & Address	Max. Indebtedness Year Ended October 31, 1979	Balance O/S Oct. 31/79	Interest Rate
Anderson, D.S. Toronto, Ontario	$76,400	$76,400	3%
Coleman, J.H. Toronto, Ontario	$50,000	$50,000	3%

Interest of Insiders in Material Transactions

Except as evolved from the transaction of regular banking services, the Bank has not entered into any material transactions with any insider or proposed nominee for election as a Director.

Appointment of Auditors and Fixing their Remuneration

The Bank Act requires Shareholders of the Bank to appoint at each annual general meeting two qualified auditors (not being members of the same firm) to act as auditors of the Bank until the next annual general meeting at which time Shareholders may re-appoint the same persons for one further term of office; however, if, and when, the same two persons or members of their firms have served for two consecutive terms of office then one of such persons or a member of his firm may not be re-appointed for at least two years next following the term for which such a person or member of his firm was last appointed. Mr. Douglas J. Low, C.A. of Deloitte Haskins & Sells, and Mr. Gerald J. Wareham, C.A. and Mr. W. Douglas Lennox, C.A. of Price Waterhouse & Co., and Mr. Robert M. Rennie, C.A. of Touche Ross & Co., have held appointments as auditors during the five financial years ended October 31, 1979.

The persons named in the enclosed Proxy, intend to vote the shares represented by such Proxy for the appointment of Robert M. Rennie, C.A. of Touche Ross & Co. and Gerald J. Wareham, C.A. of Price Waterhouse & Co. as auditors of the Bank until the next ensuing annual general meeting of Shareholders and to fix their remuneration at a sum not to exceed $325,000 to be divided equally among them.

Appointment of Proxies for the Bank

Referring to Section 17(5) of the Bank Act, the persons named in the enclosed Proxy intend to vote the shares represented by such Proxy for the appointment of any one of The Chairman, The President, a Vice Chairman or an Executive Vice President, with powers of substitution, to attend and vote for the Bank at meetings of the Shareholders of Corporations controlled by the Bank and of any and every other company whose outstanding shares are for the time being held by the Bank.

Directors' Approval

The Board of Directors of the Bank have approved this Information Circular.

R.J. MOORES
Secretary

AR40

THE ROYAL BANK OF CANADA

Proceedings of the
110th Annual
General Meeting,
Thursday, January 11, 1979

Confident Realism

An address delivered by
W. Earle McLaughlin,
Chairman of the Board
The Royal Bank of Canada

I should like to preface my remarks today with an announcement. Eighteen years ago last month I became the Chief Executive Officer of this Bank. These years have gone by rapidly; but nevertheless it is 18 years and the time has come to hand this responsibility on. Consequently, at the Board of Directors meeting to be held immediately after this meeting, I shall relinquish the post of Chief Executive Officer and it is the Board's intention that it be assumed by your President, Rowland C. Frazee. I can assure you that your Bank will be in experienced and competent hands.

I shall remain as Chairman of the Board of Directors until the end of September next year—1980, when, having reached my 65th birthday, I shall retire.

Although I shall chair the Annual General Meeting a year hence, today will be the last occasion for me to give an address to the shareholders since that is the privilege of the Chief Executive Officer. It might therefore be appropriate today for me to review the past two decades and in particular to mention some of the causes I have championed over the years—sometimes with indifferent success.

Floating Exchange Rate

Undoubtedly the earliest cause I took up was that of the floating exchange rate. Shareholders may recall the persistence with which I pleaded for this country to remove itself from the shackles of the fixed exchange rate. I claim no credit for the result but I certainly was pleased when on May 31st, 1970, the then Minister of Finance announced that the Canadian dollar would float. As a result of this, while we have not been free from difficulties, we have since then avoided what I am sure would have been a number of disastrous exchange crises for this country.

But were I to occupy this podium much longer, and if trends continued as they did throughout 1978, I fear I might have to mount my campaign again because we are getting away from a true floating dollar.

It is true that we officially have a floating rate for the Canadian dollar, but during the past year the float became a rather dirty one. Ottawa maintained that the Canadian dollar was being left to find its own level on the market. That is the essence of a clean float, with intervention only to prevent too great a movement either way, over a very short period. But what Ottawa said and what Ottawa did seemed to be two quite different things. In my view, this has been part of the reason for the fall in the Canadian dollar.

Of course there are other reasons too. Quite apart from normal trade and capital flows, all Canadians have been overreacting to short-term movements in the Canadian dollar. Those people who previously had very little personal reason to be concerned about the level of the Canadian dollar now see its fluctuations headlined in the daily news, and are agitated over its fall from that false standard of equality with the U.S. dollar. In addition, altogether too much attention is paid to monthly gyrations in the trade statistics. I am sure the Canadian dollar would have fared better if we were not so preoccupied with these numbers. The ebb and flow of dollars in foreign trade affect the exchange value of the dollar on an ongoing basis. Then the reaction to the news affects it again.

Even worse, we have had the nervous wait for the monthly report of our foreign exchange reserves—a nervousness exaggerated by the fact, which became apparent, that while Ottawa was saying that the dollar would be wherever the market said it should be, it was in fact supporting the dollar vigorously by using our foreign exchange reserves.

And then the reserves had to be replenished by foreign borrowing. The act of borrowing provided yet another unfavourable signal. The foreign exchange market knows that the demand for U.S. dollars to meet the net interest expense to service, and ultimately repay, these foreign borrowings, will be with us for many years. The foreign exchange market also knows that unless offset by an increase in net exports, or by an increase in private capital inflows (which will be difficult under FIRA), or by further government borrowing, this demand for U.S. dollars will tend to weaken the Canadian dollar in years ahead, and this tends to weaken it now.

Of course the defence of the Canadian dollar can itself be defended. One can, for example, appreciate that a drop in the dollar increases the price of imports, and puts upward pressure on our domestic costs and prices. Furthermore, one must acknowledge that it will be difficult to undo this harm when the Canadian dollar reverses its direction—as inevitably it will, at some point in time. So action to stem the fall might seem to make sense. But surely the experience of governments around the world has shown that any currency defended at a level other than what the market says it should be, must inevitably end up at the market level anyway. Government support is not only ineffective but frequently counterproductive.

Certainly last year the defensive efforts of the government had, in my view, a reverse effect. This support probably pushed the Canadian dollar down. When the monthly publication of our foreign exchange reserves showed that they had been used to support the Canadian dollar, this was taken as a signal that the dollar was higher than it should be. Naturally the market then took it lower.

I maintain that had the intervention been limited to daily smoothing operations on the scale of years gone by, this would have indicated to the market that the government was truly letting the dollar seek its own level. In these circumstances I believe our dollar would not have fallen so far.

I therefore wish to reinforce my consistent plea on this subject: We are supposed to have a floating dollar—for goodness sake let it float!

Improper Measurement of the Money Supply

Now let me turn to another cause which I have championed, but without visible results. I refer to the way the money supply is measured.

The money supply is so widely watched today, it is difficult to conceive of those times, only ten or twenty years ago, when it was of primary concern only to bankers. But then the economists got hold of it, and today, everybody is trying to become an expert on the money supply, as indeed they should—for it is a key element affecting the pace of economic activity and domestic inflation.

Unfortunately, in Canada we seem to have set our sights on the wrong money supply. I have spoken at length about this before, but I want to emphasize one more time that in my view, M^1 is not the proper measure of the money supply for purposes of conducting monetary policy.

Nevertheless we are now told officially the M^1 *is* the money supply. It is not. It is only one portion of it —and a shrinking proportion at that!

M^1 is merely the narrow money supply—the total of currency in circulation plus demand deposits with the chartered banks. But we in the chartered banks have at our disposal much more than this: We use funds from demand deposits, and savings deposits and term deposits, all gathered from a great variety of sources: households, business, and government. All of this forms the basis for making loans, because we lend on the basis of total deposits.

But those who formulate monetary policy don't seem to pay sufficient attention to the rate at which total deposits have been expanding, which was over 14% last year, considerably faster than the growth of M^1, which itself expanded by 10% last year. At this rate, how can we wring inflation out of the economy?

And that is only the beginnning of the problem. In fact, we should really have not only M's 1, 2, and 3 but also an M^4 or M^5 or 6 or 7 or 8, to encompass the activities of trust companies, caisses populaires, credit unions, foreign financial institutions operating in Canada and so on—because depositors in many of these institutions can write a cheque just as if their deposits were in a bank. Even more important for monetary policy, these institutions are a large and accelerating source of loanable funds for virtually any purpose.

I believe that if you want to control the money supply—and therefore inflation—you'd better control all categories of money, both that within the chartered banking system and that which is outside. But, astonishingly, if you don't happen to hold a bank charter you are excluded from M. Indeed, Ottawa does not even collect timely information on the 'other' money supply. We don't know—at least soon enough to be of interest to anyone except the historians—at what rate M^4 or M^5 are increasing. And they are a large and growing component of the credit structure of the nation.

Formulating monetary policy based only on M^1 is about the same as determining the spending ability of a man by counting only the money in the front pocket of his trousers and ignoring the money in his hip pocket billfold—not to mention his VISA card! This just does not make sense. Meanwhile, the makers of monetary policy gaze steadfastly at M^1, averting their eyes from the growth in the other M's, including those not yet currently counted.

I hope that someone will continue nagging on this subject.

Interest Rates

Over the years I have also addressed another closely related topic: interest rates.

Today, we are in an era of high interest rates. It is curious that the media are always talking about loan rates rising, without giving equal emphasis to the fact that interest paid on deposits goes up as well. If the deposit interest rate is mentioned at all, it is usually reserved for the last paragraph no matter what our news releases say. Perhaps this is because it is good news!

Now, given our Canadian tendency to look at the dark side, I wonder what will happen when interest rates fall—as they inevitably will. Will the headlines stress the fact that the deposit rates have fallen because that is the bad news, and ignore the fact that the prime lending rate has dropped because that is good news? This selective preoccupation with borrowers as opposed to depositors is all the more curious because it is a fact that there are many more savers than borrowers.

Over the past couple of years, another development concerning interest rates has not been appreciated. Previously, high interest rates coincided with tight money. The Bank of Canada would squeeze the banking system, forcing interest rates up, and the higher interest rate level was in turn confirmed by an increase in the Bank Rate.

But during the past year, throughout a steady upsurge of rates, things have worked differently. The Bank of Canada has taken the lead in increasing the Bank Rate. The banks realized that if they did not follow this lead, and increase their lending and deposit rates immediately, money would be tightened and rates forced up anyway. So we followed. Thus, the chartered banks' lending rates have certainly been administered rates.

We are therefore today in a position of high interest rates but not tight money. There is ample credit available to any credit-worthy borrower who is willing to pay the price. This might appear to be better for the country—particularly when those high interest rates are primarily to defend the dollar—but I wonder if it really is?

Is monetary policy really working so well? When monetary policy proceeds in this way—through administering the price rather than the quantity of money—I wonder if the dampening of growth in the total money supply needed in our fight against inflation is being achieved. I am no admirer of tight money—such periods are unpopular ones for bankers. But I would ask, can we have monetary restraint without restraining growth of the total money supply? Or, has the day of the free lunch arrived? Is there really a painless road to monetary restraint? I leave these riddles for others to answer.

Inflation

More recently I have come forth with another concept which has not yet been adopted, but perhaps it is a little early to expect this. Nevertheless I think it is a subject which bears re-examination. This is the matter of the Consumer Price Index not being the right measure of inflation.

Prices increase for three main reasons. One part of our price problem is imported, not made in Canada. I don't call that domestic inflation. When the price of orange juice increases because of inflation in other countries or because the Canadian dollar has weakened, there is little we Canadians can do about it—except, I suggest, drink more domestic apple juice. In recent years, I wager, imported inflation has accounted for 25% or more of our published price increases.

Secondly, there are shifts in relative price due to domestic scarcity. If maple syrup goes up in price because of scarcity caused by weather should we call that inflation? I doubt it. It is merely the normal operation of the marketplace and our response should be to use less or to use something else. My point is this: when scarcity develops we have no option but to tighten our belts and make substitutions where we can. Let's not confuse this with inflation.

Thirdly, we have price changes caused neither by non-Canadian factors nor by scarcity, but by the availability of too many dollars. This is pure domestic inflation. It is what takes off when the money supply grows faster than production.

Now if we try to index our wages and salaries so that we are automatically protected from all three types of price change—so that no belt tightening or substitution is required when scarcity arises, and so that we are shielded from imported inflation—then we are getting ourselves into a vicious circle. It is futile to try to protect ourselves from changes in the marketplace in the long run. That's what free markets are all about.

Free markets allocate goods and services fairly and efficiently, amidst shifting supply and demand, through changes in relative price. Nothing does this job better than a marketplace—certainly no government board or bureaucrat.

But in a world of rapidly shifting supply and demand, we should not berate our Canadian authorities for imported inflation, nor for naturally occurring changes in relative price. We must however hold them accountable for money supply inflation. And if we are to index at all, let us index only to compensate for this domestic monetary inflation.

Effectiveness of Markets

I have addressed many subjects over the years, but all my views on various issues really boil down to two basic principles: First, sound policy-making can only come from open-minded recognition and analysis of solid facts—the money supply is much larger than M^1, for example. And second: Let the marketplace operate!

These two principles hold true whether you are talking about the floating dollar, or the distinction between price increases caused by shortages and those caused by monetary inflation. We make the best progress towards the greatest good for the greatest number when we look at the facts as they are, and when we are far-sighted enough to allow free markets to function with a minimum of interference.

My deep faith in the market mechanism goes beyond its being the most efficient and fair allocator of resources in the long run. I also believe it is the most effective mechanism for democratic decision-making. When we tinker with markets, and try to invent substitutes for them, we not only incur great costs in terms of our economic progress, we also lose something of our individual right to participate in these market decisions.

The Future

These are some of the issues which have concerned me over the past 18 years. But what of the future?

In the larger perspective, our problems of monetary control, of foreign exchange equilibrium, of interest rates and inflation, recede in the face of even deeper concerns which must preoccupy all Canadians today.

The 20th century was to be Canada's. As recently as our Centennial year, 1967, we were buoyed up by high hopes and expectations of ever-growing prosperity. Today, in the light of changed circumstances, we are engaged in a sober reassessment of our prospects. Some, indeed, would not even have us survive as a country.

Many voices argue that our great national experiment has failed. There is a discordant clamor of complaint over the sharing of resources, over the sharing of powers between levels of government, over regional disparities, over real and imagined ethnic and language discrimination, over the effectiveness—or lack of it—of governments, over the responsibilities of business, over inflation, over unemployment. We Canadians seem to have fallen into despondency, skepticism and suspicion, with everybody ready to believe he or she is being ripped-off in one way or another by some other region, institution, or person. We are buffeted by gusts of complaint!

Without denying the need for sober re-thinking, let us ask ourselves how much cause for complaint we really have. Foreigners hear our complaining with astonishment. By their standards, our most staggering problems are but petty grievances. They wonder what the noise is all about.

From a world perspective, the standard of living and the quality of life for virtually all Canadians remain very, very high. Our land is at peace. We walk the streets safely. Our institutions are increasingly responsive to local concerns. Governments are remarkably free from corruption. We have freedom of speech and a level of political liberty unrivalled anywhere. We may judge the level of governmental expenditure to be excessive, but we have reason to be proud of our care and concern for the disadvantaged in society. We have fine educational institutions. We have a business community which has high standards of honesty and social responsibility, as well as vigour and efficiency. We are rich in natural resources, have a skilled work-force, and are one of the world's major trading nations. Our growth continues to outperform most other countries around the world.

In short, while we may have our problems, we also have much to be thankful for, and much to be proud of.

And this leads me to what I consider the most important point about what has been called the 'constitutional question' or the 'national unity crisis'. It is that we need, not so much a new national constitution, but a new national spirit, a new national will to succeed. In redesigning our nationhood and restructuring our constitution the most important task is not a technical or legal one, It is, rather, the task of shaking off the parochial skepticism, jealousy and selfishness now characteristic of so many public discussions, and recapturing a healthy optimism in Canada and a willingness to share, to compromise, to give as well as to take. We must lift ourselves from despondency and suspicion, stop sniping at each other, and regain a spirit of confident realism.

Such a positive spirit, I submit, is closely connected to a realistic reliance on market mechanisms free of tinkering intervention. For reliance on free

markets rests on the faith that people in general have common sense and responsibility. It rests on the belief that their decisions, expressed through market forces, will in the long run prove to be wise. It is only when faith in such widely spread decision-making falters that there is a tendency to look to the special wisdom of expert planners, and slide towards a managed economy and a managed society.

This is not to say that in this complex world there is no need for planning. We do need a broad consensus on our national goals, and on policies for their achievement. We Canadians can and will achieve such a consensus.

But this most emphatically should not embrace the detailed regulation of people's behaviour, whether as businessmen, consumers or citizens, by bureaucrats 'up there' who think they know best.

Such intervention springs characteristically from lack of confidence, from negative and pessimistic views of our people, our economy, our country. And not only does it seldom achieve its aims, it almost invariably causes angry disputes and costly distortions in the system. So I repeat: Let us have enough confidence in ourselves and in our country to let the marketplace operate!

There may be those who, over the years, have felt I was too outspoken in some of the speeches I have made. I make no apologies to them. I consider it the duty of businessmen to speak out on issues where they have some knowledge. There is one market in Canada still free of intervention—the marketplace of ideas! I am proud of Canada for this, as well as profoundly grateful for having had such opportunities to speak my mind.

I think all of us Canadians have much to be grateful for, and every reason to be proud of our country, every reason to work hard and confidently for her future. No matter what constitutional arrangements may come forth, no matter what solutions may emerge from our addressing the national unity challenge, the key to success for us and for our country is primarily a matter of attitude and will.

Canada can and will survive and go on to new strength and maturity as one of the world's most blessed nations—a benchmark of freedom, prosperity and excellence—if her people approach the future with all the confidence, pride, enthusiasm and drive they are capable of. Canada deserves nothing less.

W. Earle McLaughlin
Chairman and
Chief Executive Officer

Minutes of the 110th Annual General Meeting of the Shareholders

Montreal, January 11, 1979

The 110th Annual General Meeting of the Shareholders of The Royal Bank of Canada was held at the Head Office of the Bank in Montreal on Thursday, January 11, 1979 at 11:00 a.m. The Chairman and Chief Executive Officer of the Bank, Mr. W. Earle McLaughlin, acted as Chairman of the meeting and the Secretary of the Bank, Mr. R.J. Moores, acted as Secretary of the meeting. The Chairman declared that as notice of the meeting had been duly given and a quorum was present, the meeting was properly convened. The Chairman appointed Messrs. Antoine Y. Lamarre and James W. Knox to act as Scrutineers.

It was moved by Mr. Paul Paré and seconded by Mr. Camille A. Dagenais that the Minutes of the last Annual General Meeting of the Shareholders of the Bank held on January 12, 1978, a copy of which was sent to each Shareholder as required by the Bank Act, be taken as read and be approved.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

The Chairman referred to the Annual Statement, copies of which had been distributed to the Shareholders, and to the Directors' Report, and called upon the Secretary to read the Directors' and Auditors' Reports.

Directors' Report

The Directors of The Royal Bank of Canada have pleasure in submitting to the Shareholders the one hundred and ninth annual Directors' Report as well as the Annual Statement for the financial year ended October 31, 1978, which includes the Statement of Assets and Liabilities of the Bank, the Statements of Revenue, Expenses and Undivided Profits, and of Accumulated Appropriations for Losses of the Bank, the Statements of Assets and Liabilities of Controlled Corporations and the Auditors' Reports with respect to those statements.

In accordance with the usual practice, the assets of the Bank have been carefully valued and provision made for all bad or doubtful debts.

During the year, twenty-six branches were opened and nineteen were closed in Canada; and two were closed outside Canada. The total number of branches in operation on October 31, 1978 was 1,600 of which 1,516 were in Canada and 84 were in other countries; in addition the Bank has a financial interest in 105 subsidiaries and affiliates throughout the world.

The Directors once again wish to place on record an expression of sincere appreciation to all members of the staff, both in Canada and abroad, for their contribution to the growth and progress of the Bank during the past year.

Respectfully submitted
(signed) W. Earle McLaughlin
Chairman and
Chief Executive Officer

Montreal
January 11, 1979

The Auditors' Reports were then read by the Secretary (these reports appear on pages 42 and 47 in the Annual Report).

Before calling for the adoption of these reports Mr. McLaughlin said:—

As inevitably happens all too frequently, the age limitation on directors' tenure of office necessitates a retirement and for this reason I regret to inform you that Mr. A.B. Christopher, who was first elected to the board in January, 1964, is ineligible for re-election today. I would like to thank Mr. Christopher for the energy and enthusiasm he has devoted to the interests of the Bank during the 15 years he has served as a member of our board. We shall miss him.

I wish to place on record the appointment of five directors during the past year:
Mrs. Dawn R. McKeag of Winnipeg on March 1st;
Mr. H.E. Wyatt, who simultaneously with his appointment was elected a Vice Chairman of the Bank, stationed in Calgary, on March 21st;
Mr. Camille A. Dagenais of Montreal on April 11th;
Mr. L. Merrill Rasmussen of Calgary on June 1st;
Mr. Walter F. Light of Montreal on July 11th.

We welcome them cordially to the board of the Bank.

Mr. McLaughlin then addressed the meeting (the text of his address will be found on pages 1 to 5 of the Proceedings). He then called upon Mr. Robert A. Utting, Executive Vice-President and Chief General Manager, to address the meeting. (A fuller Report on the Year's Operations by Mr. Utting is presented on pages 5 to 25 of the Annual Report.)

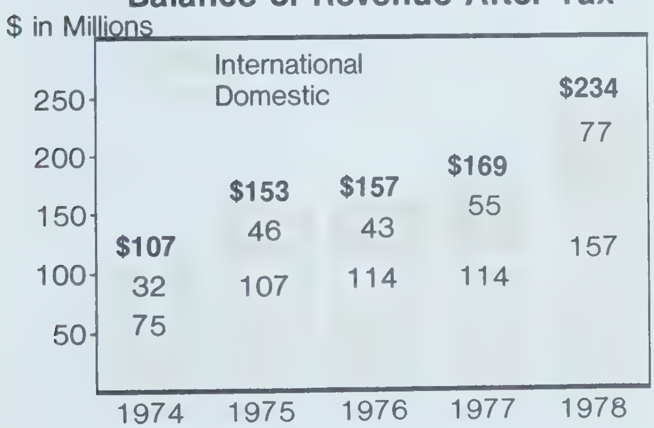
In the past year, we pursued vigorously our efforts to identify and meet our customers' needs. As a result, both in Canada and abroad, our business grew substantially. To illustrate my comments on our financial results, let us look at some of the specifics.

You can see that our Balance of Revenue after tax reached $234 million, an increase of $65 million over the $169 million earned in 1977. On a per share basis, earnings rose to $6.39 per share compared to $4.61 in the previous year, an increase of 39%.

This year both domestic & international operations contributed to the improved earnings picture. Domestic earnings, for example, after two years of relatively flat growth, rose $43 million or 38% to reach $157 million. Better spread on money employed, a higher level of assets and a slow-down in the rate of growth in non-interest expenses all combined to increase domestic profitability. One important factor contributing to improved spread was the environment prevailing in Canada in 1978, when the prime rate charged on loans rose from 8¼% at the beginning of fiscal 1978 to reach an average of 10.12% in the fourth quarter. This contrasts with 1977 when we had the opposite effect as rates were falling and our spreads were squeezed. Should rates stabilize or decline in 1979 we would expect margins to be squeezed again.

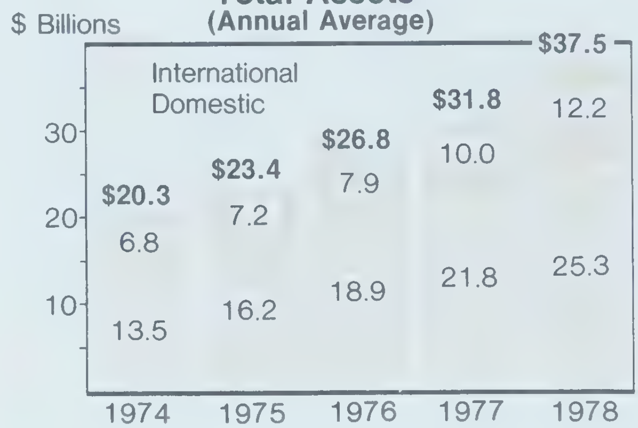
International spreads were also stronger in 1978 and here too non-interest expense growth slowed down. Earnings from international operations were $77 million in 1978.

Balance of Revenue After Tax



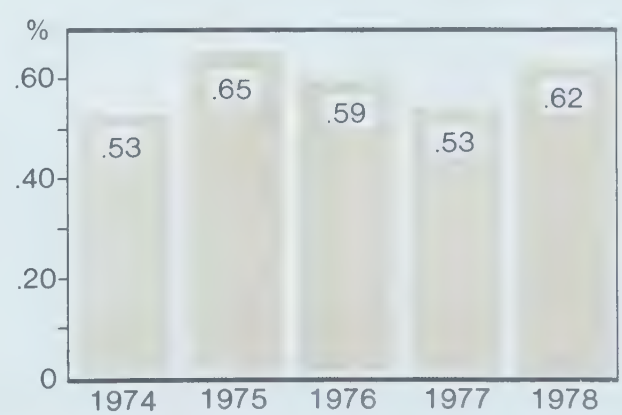
Annual average total assets reached $37.5 billion. Before the year end our assets topped the $40 billion mark and at October 31st stood at $40.9 billion. Average domestic assets reached $25.3 billion in 1978—up 16% from $21.8 billion in 1977. International assets were $12.2 billion on average—which was 22% higher than in 1977. However, about one-third of the growth in our average foreign currency assets was as a result of translating these assets into Canadian dollars at prevailing exchange rates.

Total Assets
(Annual Average)



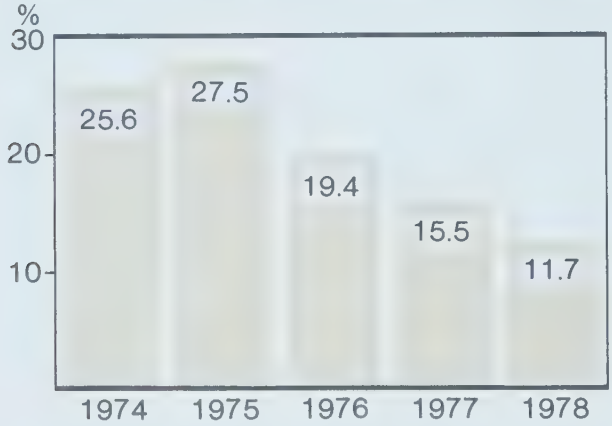
The measure by which many judge our performance is return on assets—or the ratio of balance of revenue after tax to average total assets. Our return on assets had been declining from .65% in 1975 to .53% in 1977. Most encouragingly, our return on assets in 1978 climbed to .62%—which means that for every $100 of assets in place during the year we earned 62 cents.

Return on Assets



Our improved profitability, while reflecting better per cent spreads arising from favourable market conditions and successful money management, was assisted very materially by a slower growth rate in non-interest expenses. 1978 was the third consecutive year in which the annual rate of growth in these expenses declined both in dollars and as a per cent.

Growth Rate of Non-Interest Expenses



There is one final aspect of our results which I would like to highlight. Under the regulations of the present Bank Act, the Bank is not permitted to include in its own Financial Statements the assets of companies which we control nor those with which we are affiliated, with the exception of wholly owned foreign banks; similarly our statements cannot include their profits unless the income is paid to us in dividends. Under the proposed new Bank Act, expected to become law sometime in 1979, it will be a requirement that chartered banks consolidate. To give you a better understanding of the full scope of the Bank's operations, here are three highlights of our fully consolidated statements with comparisons to the current statutory reporting method.

On a fully consolidated basis we would be a bigger bank by *$1,120 million*—and we would have an extra *$14.9 million* in earnings which would be an additional *41 cents per share.*

Highlights of 1978 Consolidated Results

	Fully Consolidated	Statutory Basis	Difference $	%
Total Assets ($ Millions)	$42,025	$40,905	$1,120	3%
Balance of Revenue After Taxes ($ Millions)	$248.8	$233.9	$14.9	6%
Earnings Per Share	$6.80	$6.39	$0.41	6%

By happy coincidence, I have assumed the responsibilities of Chief General Manager in a year which saw our financial results take a material upturn. Even though I must give all the credit for these improved circumstances to a fine effort by our staff, nothing fires personal enthusiasm better than to start on the rise. By yet another coincidence, as I mentioned earlier, we are due a new Bank Act at this point, the decennial revision by government authorities having reached the stage of draft legislation.

I therefore intend to put the report on last year's results in the context of the kind of banking The Royal Bank of Canada is involved in today, and to show how we constantly strive to identify our markets and serve them, and to correct our course as required to reach our basic goal. In spite of changes in the types of services we offer, in the methods of delivery we use and in the techniques of management we have adopted to meet the challenges of today, this basic goal remains the same: to succeed as a sound and dynamic service organization, a responsible employer and one of our country's major economic contributors.

In our endeavours, our success depends above all on the first class people who operate our Bank. We are fortunate to be able to call upon a wealth of human resources from the tellers on the front line, to the branch managers, to the management teams across the whole system. Without them, nothing—however cleverly planned—could be achieved. Our people need endless flexibility and industry to meet the various demands made on their skills. They demonstrate over and over again, through increasingly complex situations, that they are ready to give their best. During the past year, one of the challenges they faced involved cutting back

on the rate of increase of non-interest expenses. Our staff not only achieved a reduction of growth of these expenses to below 12%, but our rate of increase was the lowest in the industry. Without our people's good will, effort and competence, our results would have been considerably different. As Chief General Manager, I am grateful for the efforts of the staff. As a shareholder, I appreciate the results, and I am sure you will also.

It is in retail banking particularly that we feel our people make the difference. In Canada, this is where we serve the greatest number of people.

Whereas the last decade saw the Bank increase the number of services made available to personal customers and multiply the innovative methods of tailoring these services to their needs, this decade will see us concentrate on perfecting our methods of dispensing these services to serve our markets even better. We aim to deliver quality services to our customers in the best possible environment. This involves streamlining the operations of our branch network, and ensuring that the special talents of retail banking staff are utilized in the fullest way possible.

To give you an idea of the volume of transactions which our branches process, I would like to quote some figures from last year's results. The Bank cleared on an average day over 3.8 million cheques through the system. In 1978, it handled $4.4 billion in outstanding consumer loans of various kinds, servicing over a million accounts, and more than 2 million Canadians have availed themselves of the convenience of the Bank's Chargex/Visa program, generating more than $1.2 billion in sales.

Through our mortgage programs the Bank helped 36,000 Canadians to finance homes in 1978, for a total of $1.4 billion; since the Bank Act revision of 1967, which permitted banks to enter the field actively, the Royal Bank has supplied 238,000 Canadians with mortgages, channelling some $7 billion into private home ownership.

With the rapid expansion of the banking system, the introduction of new services and so on, our average branch managers have far more to cope with than their predecessors of ten or fifteen years ago. We have been very conscious of this. Moreover, when we consider the great diversity of needs of commercial businesses, it may be unreasonable to expect that all bank branch managers should be experts in each and every field. Having this in mind, in the early 1970s, we established International Centres in each of the Bank's districts in order to service the needs of customers who are involved in international trade. We aimed to make the experience of specialists available where the average branch was not in a position to provide it.

In a somewhat similar fashion, during the past two years, we have established units which we call commercial banking centres. The principal objective is to provide existing and potential clients in a specific trading area with a more highly specialized kind of banking expertise which, while designed to meet borrowing and other requirements, is not necessarily an essential ingredient in the make-up of all our branches. We have launched three pilot projects, each offering a different method of delivering the services, a different physical environment and facilities. While it is still early in the development of this concept, we are greatly encouraged by the reaction of our customers and the results achieved, so far.

We have also developed in recent years a number of service packages for our commercial banking customers with the help of experts in various fields. Our extensive agribusiness sector is an example, with its integrated approach to the needs of farmers who can avail themselves of 25-year amortized mortgages for land, building and debt re-financing, farm loans by banks have more than tripled in the last ten years, rising to $4.5 billion. The Royal Bank's share in Canada is approximately a third of this total.

To the Royal Bank, *small business is big business.* That we feel strongly about this is apparent in the magnitude not only of our lending to this sector of Canada's economy, but in the special services and the servicing structure we have created to meet the needs of what we call the Independent Business sector.

Custom-made loan packages have also been developed for this sector with the help of experts in the various industries or commerce involved.

In late 1974, the Bank created a Regional Management structure which affords substantial lending authorities to regional officers and all loans in the Independent Business category are approved at that level.

The extent of the financing offered to small and medium-sized business can be gauged from 1978 statistics: of total outstanding business loans by the Bank, about $3 billion were loans of less than $200,000, representing more than 170,000 borrowers, and another one billion dollars were loans of less than $500,000 to another 5,500 borrowers. These loans represent 45% of the Bank's total domestic business loans outstanding and 95% of business borrowers.

One very significant feature of our Independent Business Program was the development of a series of counselling guides to be distributed by our branch managers during their business calls.

During the year, the Royal Bank created a National Accounts Division. Here again, as in commercial banking, we have identified market needs. We have realigned our structure and methods to serve our customers better. Primarily, National Accounts provides a highly responsive and specialized service to Canada's largest and most complex corporations. This specific account management function involves customized corporate and "project financing" services, including loan syndication which involves the banding together of a number of world banks to provide a loan from pooled international funds. These financing needs usually involve several of the bank's services, crossing divisional as well as geographic lines.

Competition in Canada for all types of business — and particularly for the business of major corporations is increasing. This trend is expected to intensify over the next ten years with the passing of the revised Bank Act, and the expected entry of new competitors into this market.

The market has become increasingly sophisticated in that the use of detailed computer analysis and the development of financing packages which involve a variety of instruments are now commonplace. As a result, customers have developed a demand for such services from their bankers.

Finally, our clients are buying, selling, investing and borrowing in international markets. As a result, they are making their financing decisions in a global context and borrowing in large amounts requiring multi-bank syndications in various currencies.

Adaptability to market conditions and the fine-tuning of the banking structure to maximize service to a market are as important to the Royal Bank in the international field of banking as they are at home in Canada.

Retail banking in foreign countries is very much a viable and growing part of the Royal Bank's business. For example, during the year we agreed to purchase Banco de San Juan, in Puerto Rico, which has 14 branches servicing the country. We were already active in the Caribbean, Central and Latin America with offices in some 16 countries.

Competition on the international scene is intense. As Canadian trade becomes more and more international, the need for banking with international expertise increases. We need global capabilities to serve our Canadian clients wherever their business takes them, and we need to compete for international business with world banks at home, since foreign banks operate here as well. This is evident in the more than 100 foreign-based institutions which currently operate in Canada.

This year has seen a significant expansion of the Royal Bank's international network.

We are in the process of establishing a wholly-owned merchant bank operation in London, England. This will be a focal point for the syndication and management of our Eurocurrency operations. In the Far East, we opened a branch in Hong Kong, and appointed a representative in Seoul, South Korea. Similarly, the representative office which we established in São Paulo will strengthen our relationship with banks and corporations in Brazil and with its government and agencies. In the United States, a market receiving growing attention from us, we are now setting up a branch in Portland, Oregon which is scheduled to open early in 1979.

There are still many places to go. It is no secret, for instance, that Japan and Switzerland, both of which bar Canadian banks because Canada, officially at least, does not at present permit foreign banks to operate here, offer interesting opportunities.

The Royal Bank's position is that it would welcome foreign competition at home if the new Bank Act offered opportunities to Canadian banks to operate as freely abroad. It is obvious that limits imposed on foreign banks as suggested in the draft of the current Bank Act revision could lead their governments to impose equal limits on the operations of Canadian banks abroad. This would not favour the expansion of foreign banking trade for Canada.

Meanwhile, at home, foreign institutions which do not become banks because they do not like the terms under which they can do so will continue to operate essentially unregulated and without the responsibility of holding reserves with the Bank of Canada.

It would be preferable to make it attractive to them to become banks by basing their eligibility and conditions of operations solely on reciprocal arrangements for our own banks in their country, without setting artificial limits of any kind. If the Bank Act is passed as drafted, Canadian banks, which want to see doors opening in foreign markets in return for equal privileges here for foreign banks, will likely be disappointed.

In conclusion, I would like to return to the subject of our staff. We are engaged in a regular realignment of our personnel programs, whether involving training, hiring or rewarding employees for their contribution to the success of the Bank, so that we are all in a better position to meet the demands of the markets.

The rapid advances and sizeable investments we are making in automated processes will no doubt assist us in removing much of the drudgery in various standard operations. We also concentrate on giving employees who are faced with new duties, as a result of new methods, the necessary training and support.

We are working towards ensuring that all employees have the opportunity to contribute in the fullest possible way, notwithstanding their geographic location or the position they hold in our Bank. Our policy, meanwhile, remains to hire, reward and promote people on the basis of competence.

It is evident that we should be increasingly sensitive to the needs and aspirations of our employees in times when they are asked to "fine-tune" their contribution to the Bank's success even more, as we refine our services and methods. A number of complex issues have arisen in this regard. We must address such matters as motivation, equal employment opportunities, mobility, size of working units and management style. No matter the size or nature of the particular challenges involved, we must approach them with the same sensitivity and efficiency that we display in our efforts to improve services for the sake of maintaining and improving our market position. We must be constantly aware that our Bank's human capital is not only the number of trained employees we can call upon, but their dedication and the reputation such a loyalty has created for our Bank.

It was moved by Mr. W.O. Twaits, C.C. and seconded by Mr. Rowland C. Frazee—

THAT the Directors' Report and the Annual Statement for the financial year ended October 31, 1978, as well as the Auditors' Reports with respect to the Statements included in the Annual Statement be adopted.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

It was moved by Mr. D.W. McNaughton and seconded by Mr. R. de Wolfe MacKay, Q.C.—

THAT Mr. Douglas J. Low, C.A. of Deloitte Haskins & Sells, and Mr. Gerald Wareham, C.A., of Price Waterhouse & Co., be and they are hereby appointed to be the auditors of the Bank until the next ensuing Annual General Meeting of the Shareholders, and that their remuneration be fixed at a sum not to exceed $290,000 to be divided between them.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

It was moved by Mrs. Mitzi Dobrin and seconded by Mr. Herbert C. Pinder:—

THAT W. Earle McLaughlin, Rowland C. Frazee, Jock K. Finlayson, W.D.H. Gardiner, H.E. Wyatt, R.A. Utting, J.C. McMillan, A.H. Michell, R.C. Paterson and A.R. Taylor, executive officers of The Royal Bank of Canada, and each of them acting alone, be and he is hereby appointed the true and lawful attorney of The Royal Bank of Canada, for and in the name of The Royal Bank of Canada, to attend and vote or appoint proxies, to attend and vote at any and all meetings of the shareholders and to sign any shareholder's resolution in lieu of meetings of each corporation controlled by the Bank and of any and every other corporation any of whose outstanding shares are for the time being held by the Bank, and at any and all adjournments of such meetings, in respect of the shares held by the Bank in any such corporation. The foregoing to remain in full force and effect until the next Annual General Meeting of the Shareholders of The Royal Bank of Canada.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion carried.

The Chairman declared the meeting open for the nomination of directors.

Mr. Bernard Panet-Raymond nominated the following persons to be Directors of the Bank:

The Rt. Hon. Lord Adeane, D.S. Anderson, John A. Armstrong, Ian A. Barclay, T.J. Bell, M.C., G.H. Blumenauer, G. Allan Burton, D.S.O., E.D., LL.D., R.B. Cameron, O.C., D.S.O., John H. Coleman, Frank B. Common, Jr., Q.C., F.M. Covert, O.B.E., D.F.C., Q.C., Camille A. Dagenais, L.G. DesBrisay, Mitzi S. Dobrin, J.E.L. Duquet, Q.C., G. Campbell Eaton, O.C., M.C., LL.D., C.D., Jock K. Finlayson, Rowland C. Frazee, W.D.H. Gardiner, Kelly H. Gibson, Floyd D. Hall, Sir Charles Hardie, C.B.E., David S. Holbrook, Walter F. Light, L.G. Lumbers, P.L.P. Macdonnell, Q.C., Clifford S. Malone, F.C. Mannix, J. Pierre Maurer, Dawn R. McKeag, W. Earle McLaughlin, J.P. Monge, Pierre A. Nadeau, Paul Paré, Neil F. Phillips, Q.C., Herbert C. Pinder, Claude Pratte, Q.C., L. Merrill Rasmussen, Charles I. Rathgeb, A.M. Runciman, Pierre A. Salbaing, P.R. Sandwell, Ian D. Sinclair, P.N. Thomson, John A. Tory, Q.C., W.O. Twaits, C.C., C.N. Woodward, H.E. Wyatt.

Mr. Alan S. Gordon seconded the nominations.

The Chairman then asked if there were any further nominations.

It was moved by Mr. MacKenzie McMurray and seconded by Mr. A.B. Grossman:—

THAT the nominations be closed and that each of the persons nominated be elected a Director of the Bank.

The Chairman then stated that the motion was open for discussion. There being no discussion, the Chairman put the motion to the meeting. A ballot was taken and, upon receiving the Scrutineers' Report of the balloting, the Chairman declared the motion duly carried.

Mr. P.R. Sandwell expressed the thanks of the Shareholders to the Executive Vice-President and General Manager as well as the officers and staff of the Bank for the efficient manner in which they have performed their respective duties.

Mr. Robert A. Utting replied on behalf of the officers and Mr. A.D. Rafuse replied on behalf of the staff.

The Chairman asked if there was any further business to come before the meeting. He then successively recognized three shareholders, the first speaking in a personal capacity and the remaining two as church representatives. These speakers referred to the Bank's lending policy with regard to South Africa and also queried the Policy of Orion Bank Ltd. in this connection. The Chairman replied that the Royal Bank is only one of Orion's shareholders and it has no veto over its management decisions. He stated that we have communicated our own international lending policy to Orion's management, but Orion makes its own management decisions in London.

There being no further business to transact, the Chairman declared the meeting terminated.

(signed) R.J. Moores
Secretary

(signed) W. Earle McLaughlin
Chairman